

Washington Inquirer

ol. II, No. 41

October 8, 1982

Twenty-five Cents

Nicaragua Exports Drugs, Terrorism

A senior intelligence analyst for the Defense Intelligence Agency has disclosed that drug smugglers were used by the Sandinistas and that Nicaragua has a special-forces type training base for cadre used in such operations as the blowing of El Salvador's strategic Golden Bridge last Oct. 15 and the airbase sapper attack that crippled El Salvador's air power.

Kathleen Hayden, senior DIA Latin America analyst, told the Association of Former Intelligence Officers that Cuba had used "established drug smugglers to supply first the Sandinistas prior to the overthrow of Somoza and most recently to buy arms for the M-19s" in Columbia. The

DIA analyst added, "Cuba provided funds used by a drug dealer recently to buy arms in another country for the M-19s."

Hayden said this funneling of arms to the violent left would continue. She said the Soviets were using Central America and the Caribbean as a test case. "If these efforts here in Central America are successful the revolutionary groups can be expected to spread. However, if the momentum turns and they're contained, the movements will go underground again, as they have for years, and lie latent for the next opportunity."

On Nicaragua, Hayden said that the government had set

up a base to give training in unconventional warfare. The camp has mock revetments for planes or helicopters, and sappers are trained in using explosives on these mock ups. Highly sophisticated demolitions training is given at the Nicaragua base, Hayden said.

Overall, she said, support for insurgents has become more sophisticated than it was in the early Seventies. She said now the violent left uses mainly western arms to disguise their connections with the Soviet bloc. She said that in addition to Honduras western arms traceable to those left behind by American units in Vietnam have also

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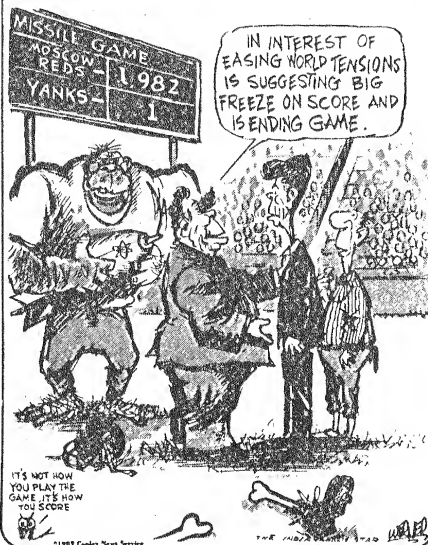
Newsweek Editors Limit Nagorsky Story to Foreign Edition

Soviet Army is no "Paper Tiger"

Cuban Agent Held Key Post in Norwegian News Broadcasting

Study Shows Poor Suffer under Rent Control

Nebraska Minister Arrested in NEA Inspired Harassment of Religious Schools



Inman Blasts House Report

Resigns to Protest Falsehoods, Bias

Admiral Bobby Inman has resigned as a consultant to the House Select Committee on Intelligence charging the majority Democrats on the Committee played partisan politics in releasing a report critical of intelligence reporting in Central America. Inman bluntly declared two important assertions in the report "false." In addition the widely respected former deputy director of Central Intelligence said over the years a "40 percent draw down" occurred in U.S. intelligence capabilities.

The recently retired deputy director lamented that "something is wrong" when an intelligence committee splits along blatantly partisan lines.

In a speech before the Association of Former Intelligence Officers Admiral Inman also described a "40 percent draw down in U.S. capabilities between 1965 and 1978. He repeatedly referred to the need to "rebuild" U.S. intelligence capabilities. Inman said the U.S. does not have "a first class intelligence capability," although his recent travels lead him to believe the American people

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Recently retired Deputy Director of Central Intelligence Bobby Inman denounced as false portions of a House Intelligence Committee report on Central America.

Soviets Take 'Active Measures' To Disinform US Electorate

The Soviets, through "active measures," are covertly distorting and undermining the underlying process on which a free society and informed electorate are predicated.

This involves global campaigns employing multifarious covert measures, John Barron told the annual convention of the Association of Former Intelligence officers. Barron, the best-selling author of "The KGB" and "Reader's Digest" senior editor, said these "active measures" strike "the vital organs of a free society."

Barron said the diverse and clandestine active-measures practices include mass demonstrations, controlled international conferences, dissemination of forged documents or letters, agents of influence. In some cases even acts of terror, sabotage and assassination have been committed to augment the other techniques.

The author said the term "active measures" is derived from disinformation. Disinformation often involves planting misleading or false information in the media by, for example, using forged documents or a variety of other

loys.

Active measures, however, include the wider range of measures from peaceful demonstrations to terror. The aim, Barron said, is to distort reality in the minds of the population in such a way that will lead the people to behave differently than if they understood the true nature of reality.

Barron explained that this is indeed insidious in a free society based on the precepts of Jefferson and Voltaire that in a free and fair fight the truth will win out. This includes, the author said, the idea that the people are ultimately the best arbiters of government and policy.

Active measures, he continued, are designed to poison the life blood of democracy by distorting the data and corrupting the process of understanding.

He said to date active measures have poisoned the well of public discourse on Vietnam, leading the U.S. to abandon Southeast Asia to the tender mercies of the Communists and also on the enhanced radiation weapon or

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Soviet Army is No Paper Tiger

Are the Russians really "10 feet tall"? Aren't their weapons overrated?

Take for instance the MIG-25 that was flown to Japan in 1976 by its defector pilot, Lt. Viktor Belenko. In 1973, the secretary of the Air Force had described it as the world's "best interceptor." But when disassembled by U.S. Air Force experts three years later, the MIG "Fobbat," upon close inspection, was deemed a slow, heavy, ill-equipped "Red elephant." Fine, but there have been at least five updates of this early Fobbat since 1976, according to Jane's All the World's Aircraft (1981-82).

It is a mistake, of course, either to under- or over-estimate the enemy. Military scientists warn that the best, and only, test of the quality of troops and equipment is in actual combat. Yet the American public over the past year has been fed what looks like KGB-inspired disinformation that says, "Look, what does NATO or the U.S. have to fear from the Warsaw Pact and the USSR? The East has its own crippling problems: alcoholism, ethnic strife between the Russians and non-Russians among their multinational troops, low quality equipment, etc."

One such "documentary," run by PBS, left the viewer with the impression that any further buildup by NATO is a waste of money because the "so-called enemy" is a paper tiger with teeth rotten from vodka.

Most recently, we have been told by some that Soviet equipment proved no match for the Israeli electronic "smart" weapons, which took out Soviet-made tanks and SAM anti-aircraft guns in the Bekaa Valley of eastern Lebanon.

Columnists in the liberal press immediately bellowed this as evidence that Soviet military equipment is overrated. Once again, the public was lulled into the complacent belief that there is nothing to worry about, the Soviets are pygmies, not giants.

But hold on, just what equipment was used by the Syrians by Moscow? The latest SAMs? The latest electronic gadgetry aircraft batteries? No way. To the Koenin, petro and other types of "dollars" from Middle Eastern countries are more valuable and useful than handing over the Syrians. Libyans or loquacious-to-date Soviet weapons, which are the apple of the eye of the Soviet armed forces.

Moreover, since when does the Kremlin want the turmoil in the Middle East to end? It is definitely in its interest for the tensions to continue, to deepen and to weaken all parties, including, of course, the Israelis but also those Soviet "friends."

The Soviet ZSU-23-4 four muzzled, mobile AA vehicles—the SAMs taken by Israeli F-4 Phantom of American manufacture in Lebanon—were put into service in the Red Army back in 1965. They were used in Vietnam, and in the 1973 Yom Kippur War, where they proved effective against Israeli planes.

However, 10 years later, it is not surprising that this tracked, self-propelled 23 mm gun vehicle became ob-

Defense Report

Albert L. Weeks

pinpoint the ZSU's, nearly all of them were destroyed in a matter of hours.

The Israeli air force was also abetted by high-flying U.S.-made early-warning aircraft, which not only located the Syrian MIGs that rose to defend the batteries. It is tempting to rush to the judgment that Soviet equipment failed to test in actual combat in Lebanon, that it was no match for U.S.-made or Israeli-adapted weaponry.

This is premature evaluation. First, intentionally or unintentionally, the Syrians' stock of Soviet weapons is

Kadafi, Czechs Open Terror Camps

By Sara Towe
PHOTO BY AP/WIDEWORLD

LONDON — The purpose of Libyan strongman Col. Muammar Qaddafi's recent visit to Eastern Europe was to negotiate the reopening of three guerrilla camps for the training of Arab terrorists, possibly including the PLO, according to reliable sources in London.

At a banquet given in his honor by Czech President Gustav Husak, Qaddafi described his visit as a "turning point" in his country's relationship with Czechoslovakia. "We have decided to develop relations between the Arab nation and the socialist bloc which they [imperialist, Zionist and reactionary forces] wish to destroy," Qaddafi was quoted as saying.

The Czech leaders pledged their full support to the

Cuban Agent Slants Norwegian News

Oslo, Norway — The Latin American correspondent of the state-owned Norwegian Broadcasting Corp (NRK) in Oslo is a communist agent who has consistently promoted the leftist view of events in Latin America, reliable sources here have charged.

Per Erik Borge, hired by NRK in 1980 as its Latin

American correspondent, had been a leading member of a communist front organization known as the Cuban-Friendship Society, run by a small group of left-wing socialists, according to the sources. At the time of his employment, Borge served as the editor of its journal Kuba Nytt (Cuba News), which provided readers with undisputed Soviet propaganda.

Borge, 34, also wrote a book in collaboration with Dag Borge Akre that attempted to discredit the involvement of Norwegian industry in Brazil, part of a communist campaign to discredit multinational companies, the sources said.

Borge is also reportedly an able organizer and promoted communist front organizations with Latin America as their target, such as IAGO, a coalition of left-wing and communist activists that promotes revolutionary movements in Latin America.

At first stationed in Caracas, Venezuela, Borge worked in collaboration with the daily Prensa Latina, the voice of the Movimiento Revolucionario Internacional. Prensa Latina is known for its Cuban connections and relationship with Cuba a few years ago. Akre, his collaborator on the Brazil book and also a member of the Norwegian Broadcasting Corp., also has spent a year in Cuba for training, the defector said.

The reporting by Borge, Akre and other left-wingers in the Norwegian Broadcasting Corp. has had a serious effect on Norwegian public opinion, the sources said. They noted that even the conservative youth organization Unge Høyre has become severely critical of U.S. involvement in El Salvador and recently revised its traditional pro-American attitude.

Hayden shared the platform with two other panelists, Jeremiah O'Leary, veteran Washington reporter and former assistant to Judge William P. Clark now head of the National Security Council, said inexplicably the wholly Marxist state of Nicaragua had been given double the sugar quota of Honduras by the U.S.

O'Leary also said the battle seemed to be improving slightly in El Salvador and Guatemala. He said American trained troops in El Salvador were doing well and recommended more for Honduras and elsewhere.

Nestor Sanchez, deputy assistant secretary of defense for Inter-American Affairs, said only 2 percent of the U.S. a worldwide security assistance goes to Latin America. He too spoke of the success of the three American-trained battalions in El Salvador and said a fourth was needed.

Disinformation

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"neutron bomb," which in 1978 the United States backed out of deploying to Europe.

An on-going active-measures campaign has deployed numerous clandestine resources to promote the "nuclear freeze" as a simplistic means to a better world and "peace."

Barnon observed that after Southeast Asia fell in 1975, marking what the Soviets consider their greatest active-measures success, they immediately changed their line to say that Vietnam represented an American military defeat in spite of the fact the American military lost no major military battles there. This "defeat" line was quickly picked up by the media.

Barnon said in the course of public legal proceedings he had seen 800 FBI and CIA documents pertaining to foreign involvement in the anti-Vietnam war movement. He said the Soviet KGB and International Department, the Cuban DGI, and the North Vietnamese all "were intimately and in some cases sensationally involved in this whole movement."

Barnon also noted that the successful campaign against the neutron weapon or "bomb" began routinely with the leak to The Washington Post. Soon everyone from Brezhnev on down participated, using such fronts as "the wholly owned and controlled subsidiary" of Moscow, the World Peace Council. In fact the president of the World Peace Council, Romesh Chandra, was given a congressional luncheon, Barnon said. Chandra apparently is a top KGB agent.

Inman Resigns

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want such a first class capability.

The Committee report in question and referred to in the Admiral's speech is one that was released last week, after leaking a day earlier. This report is said to claim U.S. intelligence exaggerated when reporting \$17 million had gone to finance the terrorists in El Salvador and also that the number of Soviet ships going to El Salvador was overstated.

Also in dispute in the story which leaked to The Washington Post was an intelligence finding that The Washington Post itself had been used as a propaganda channel by giving the guerrilla-terrorists' point of view in a February 14 story that was written by a Washington-Post fellow traveling with the violent left in El Salvador. The Committee report apparently tended to cast doubt on the finding relating to The Post.

Inman did not address this matter specifically. He said the Committee report was issued on a partisan basis by the House Oversight Committee on Intelligence, and said the Committee incorrectly "raised the prospect that there was political interference with intelligence results."

Inman said "in a description of a briefing on Nicaraguan capabilities" this spring "the public is left to draw the conclusion that they got distorted intelligence and that's false."

The former deputy director of Central Intelligence also said, "The inference is left . . . that all the committees might have gotten a distortion" and the executive branch as well) in a different briefing of March 4 on El Salvador. That impression, Inman said, "was false."

"But what disturbed me most," Inman continued, "was that the decision to release the report was made on a partisan basis. As I reflected with some anguish about it, I sent the chairman a letter this afternoon resigning . . . because I believe one has to stand on principle wherever one finds it." Inman's speech was frequently interrupted for applause.

Ranking Democratic member of the Committee, Charlie Rose, D-N.C., said the vote to release the report went strictly along party lines. At the time Inman became a consultant to the Committee members from both sides of the aisle expressed their pleasure.

In introducing Inman for his speech before AFIO, President Jack Murry described Inman as a man of "unflinching integrity." Sen. Barry Goldwater, R-Ariz., chairman of the Senate intelligence oversight committee, has also spoken highly of Inman.

Inman also had criticism for members of the staff of the Senate's oversight committee who've spoken directly to the press instead of relying on a spokesman, as set up by Sen. Daniel Inouye, D-Ha., whom Inman praised.

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THE EYE

It was nice of Ron and Nancy and George and Barbara to send congratulatory messages to Jeanne Kirkpatrick to be read at the elegant black-tie dinner given in her honor by Ernie Leffer's Center for Ethics and Public Policy. Jeanne received the Shelby Cullum Davis Award for the courage and integrity she has displayed as a public servant. In a nice departure from the usual plaque or medal, the Center wisely gave Jeanne a stunning Steuben crystal owl, compliments of the folks from Corning.

Everybody, beginning with Ron, had nice things to say about Jeanne, including Amb. Shelby Cullum Davis, whose generous grant to the Center made the whole bash possible. Jeanne reciprocated with a scholarly, philosophical address in which she noted that very good people when in power often do some pretty awful things. So don't confuse public and private morality, she advised.

Jeanne hastened to advise the members of the press not to take anything she said as criticism of the Reagan administration. She suggested that if the press continued to misrepresent or misinterpret her statements, she would be forced to follow the example of one of her colleagues at the big UN wind tunnel and utter nothing but fine sounding words that were empty of all content. The members of the press obliged by not saying anything about her remarks.

Overhead at the Kirkpatrick dinner: Jack Kemp telling Vic Lasky that when he was president of the NFL Players Assn. in the mid-sixties, the union was dedicated to free enterprise. Presumably, the quarterback-turned-Congressman is unhappy about current NFL strike. In another corner of the room, John McLaughlin sought to get Ed Meese to arrange an exclusive interview with RRR for National Review, of which John is now Washington executive editor. Meese thought it a good idea. Also seen at the Washington Hilton dinner: Lyn Nofziger, Herwig Phillips, Herb Schmitter, Horace Busby, Anna Chennault, Herb Stein, Ken Tomlinson, Peter Rodman and Marvin Stone—an extraordinary political mixture.

Keep Eye on forthcoming United Mine Workers election. At stake is more than the presidency. At stake is control of a powerful union in the Washington, D.C., bank. The bitter election also

has national security aspects. Contesting strongly pro-American incumbent Sam Church Jr., 46, is Richard Trumka, 33, a lawyer whose supporters include variegated leftists with Joe Rauh calling the shots. Trumka, whose grandfather was a Trotskyite, is well financed. Church, who supports Reagan's tough foreign policies, needs money. Intelligence community worried about outcome. As *Business Week* notes, "a victory by much more militant Trumka—or even a close vote—could jeopardize the steady recent improvement in coal field labor relations." No wonder Gus Hall says are supporting Trumka.

Richard Nixon's new book *Leaders* now in stores. Full of wonderfully personal vignettes about movers and shakers former President met over years. Example: Shortly after he named Henry Kissinger as Secretary of State, RN told Golda Meir that "now both our countries [have] Jewish Foreign Ministers." The Israeli Prime Minister responded, "Yes, but mine speaks English."

Real Estate Note: Feisty Clare Boothe Luce to spend more time in Washington. Despite criticism of recent remarks regarding illegal immigration, La Clare will remain on White House Intelligence Oversight Committee. Some critics have demanded her resignation. As a response, La Clare has just purchased two (not one) apartments at Watergate. Eye blinks approval.

What happened to Fritz Mondale following his appearance at Gay rights dinner in New York the other eve? Former Veep was scheduled to appear on Ted Koppel's always interesting ABC News Nightline. But no show. In fact Koppel said he couldn't reach him in phone. Nor were any of the other supporters of the black-tie event available: Pat Moynihan, Ted Kennedy, Alan Cranston, Lowell Weicker or Paul Tsongas. One Senator who pointedly did not endorse the *tres pas* movement was John Glenn, who said he was against leading his name to "single issue" causes.

Flash! Ted Kennedy has lost 15 pounds. And Bill Bradley, former star of the New York *Kerberos*, is down about 20. Eye wonders why.

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In A Hurry To Get Rich

Patrick J. Buchanan

It was in the early autumn of 1929, days before the Great Crash, that Irving Fisher, professor at Yale, made his immortal prophecy: "Stock prices have reached what looks like a permanently high plateau."

In the gathering financial crisis of 1982, the coveted role of Professor Fisher appears to have been won by Walter Wriston, chairman of Citicorp, parent company of Citibank. At the invitation of The New York Times, Wriston sought to soothe the ruffled and reassure the anxious to the fundamental soundness, as they used to say in 1929, of the nation's banking system.

The gravamen of Wriston's case was that just as we never expect the United States government to pay off the national debt—i.e., the Treasury issues new notes to replace the old it pays off—so sovereign nations rarely, if ever, pay back their foreign loans. If they have a balance of payments problem—i.e., they can't meet their "mortgage"—they simply readjust their policies, rearrange their loan schedule, borrow a few billion more, and we all move sturdily along to the sunny uplands of a new prosperity.

If you find the implied equation of the full faith and credit of the U.S. government with the full faith and credit of General Mobutu disquieting, reflect on this passage:

"Bankruptcy is a procedure developed



in Western law to forgive the obligations of a person or a company that owes more than it has. Any country, however badly off, will 'own' more than it 'owes.' The catch is cash flow and the cure is sound programs and time to let them work."

True, Bolivia, for example, probably "owns" assets worth more than the \$4 billion it "owes" to Western governments and banks, but if Bolivia cannot, or will not, pay the interest on its debt, what do you do, Mr. Wriston? Seize Lake Titicaca?

Nor is this an academic question. For the finance minister of Bolivia announced

this week that Bolivia is two weeks late on a \$50 million payment it was supposed to make on an outstanding foreign debt 80 times that size.

Between the Mexican "default" of August and today, we have not only had the Bolivian announcement, but a Cuban request to put off payment on its \$2 billion outstanding debt to the West, and reports that the Philippines may have difficulty meeting the obligations of their \$15 billion. (Other reports indicate that South Korea's debt, more than twice the size of Manila's may have to be re-scheduled.)

Writing of the great merchant banks in

the 19th century, Walter Bagehot cautioned: "We must not let in daylight upon magic."

This is precisely what Wriston has done. At the apex of American banking, he has produced an explanation of the present crisis so pat, many of his peers believe it would not pass muster in Money & Banking 101.

Two weeks after he sought to calm everyone's nerves, everyone seems more nervous than ever.

From post-Toronto reports, it is evident that the Europeans were less sanguine about whether the banks can weather the present storm than Mr. Wriston or Mr. Rockefeller. Henry Alfred Kissinger, whom—if memory serves—his patron David Rockefeller employed some half-dozen years ago to advise Chase on its foreign endeavors, was called for a financial summit a la Bretton Woods. Felix Rohatyn, who helping to save New York City from bankruptcy, is calling, according to one source, for a "massive infusion" of tax dollars into the World Bank and the International Monetary Fund, and a "conference of creditors" to deal with their enormous debts.

More ominous, there seems a growing realization among the debtor countries that there is nothing, really, the Big Banks can nor will do to them. Jointly, they insist they cannot continue present "service" on their enormous debts.

"No warning can save a people determined to go suddenly rich," said the great British banker, Samuel Jones Lloyd. (Would the American people have willingly entered either world war JUST on the ground of "national security"? Don't Americans prefer, rightly, to fight for an ideal? We do not want for our modern Aristides—the Kennedys, Hartts, Tongases—who for reasons of increasing fineness, would let the nation's military decay in favor of what the media persists in calling "compassion.")

What we need most is the sense and the will to lead the signs.

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A Look Back Mirrors the Present

Michael Levin

As President Reagan attempts a modest reduction in social spending and some repair work on our neglected military, one hears a great deal of how talk about "armament," "guns vs. butter," and "the high cost of rearmament." In this atmosphere it is well to recall the events leading up to the Battle of Salamis in 480 B.C., perhaps history's most important military engagement. After all, many historians adhere to the notion that history repeats itself.

At the turn of the fifth century B.C., Persia cast its eyes covetously toward both Africa and, more particularly, Athens. At this time the two principal Athenian men of affairs were Aristides—called "The Just"—and Themistocles, an ardent advocate of military preparedness. The differences between the two men became most apparent when, just after 490 B.C., a rich silver lode was discovered in the state silver mines at Laurium. Aristides wanted to distribute this windfall evenly among the citizens, a proposal which made him quite popular and doubtless contributed to his subsequent defeat. Themistocles, well aware of the Persian threat, urged that the windfall be used in a crash naval construction program.

Themistocles' proposal was at first received very badly. As the Great Power, Persia had a word for everything. Themistocles was doubtless castigated for being "macho" and even insensitive to

the needs of the poor. Perhaps he was accused in unrecorded conversations of "seeing Persians under the couch." Then, as now, the Aristidean party had all the good words: distributing the profits from the silver was "equitable" and "humanitarian"—never mind that if a society does not ensure its survival, its government will have no one to be humanitarian to. (Even Themistocles sometimes forgot that there is more to be said for their side than toughness.) It is the Themistoclean, after all, not the Aristidean, who really values his civilization for he is willing to maintain the vigilance liberty demands. Indeed, Plutarch tells us that Themistocles had to camouflage his real motives, appealing instead to the "enormation and danger" of the Athenians toward the Aeginians.

However he did it—and he was not afraid of being called derisive names—Themistocles managed to persuade his fellow citizens to build up their navy. And, as it happened, he was right about the intentions of the Persians. They did invade Attica in full force. But the Athenians took to the ships. Themistocles insisted be built, and in a great battle destroyed the Persian fleet in the Straits of Salamis. The Persians were repulsed, and Greece was saved to go on to the glories that engendered western civilization. It is said that the supreme moment of classical antiquity was Themistocles' entry into the Olympic stadium during the first Olympiad after the Battle of Salamis. Athletic activity ceased as all Greece rose to cheer him.

The situation facing us today is so like that facing Themistocles that one wonders how anyone can advocate the foolish, shortsighted demagoguery of Aristides. The Soviets are strong and determined. They are barbarians—not individually, but neither perhaps were the Persians. Rather, as were the Persians to the Greeks, their values are inimically opposed to our own. They do not believe in free elections, free speech or free exchange. Most fundamentally, they see the individual as a means to transindividual goals, the reverse of the way we see things (or saw things until very recently). They have never taken a tolerant attitude toward non-Communist regimes, and their current massive strategic build-up makes it obvious to all but the willfully blind that they do not intend to in the future.

We need a modern Themistocles. Per-

haps it is President Reagan. Indeed, while his administration does deploy the self-interested language of "national security," he has not been shy about pointing out the profound ideological differences between America and the U.S.S.R., and the inherently moral nature of the conflict. (Would the American people have willingly entered either world war JUST on the ground of "national security"? Don't Americans prefer, rightly, to fight for an ideal? We do not want for our modern Aristides—the Kennedys, Hartts, Tongases—who for reasons of increasing fineness, would let the nation's military decay in favor of what the media persists in calling "compassion.")

What we need most is the sense and the will to lead the signs.

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Prose & Kahns

The trouble we've gotten into is expecting so much from "government" that we cannot afford to support the government that's providing it.

Just as decontrol brought down oil and gasoline prices, airline fares, it would also bring down natural gas prices.

Leftists in El Salvador's churches should go to Poland and learn what they are leading their Latin American nation into.

Politicians and bureaucrats know better than you do what is good for them.

J. Kenner Kahn

For Foreign Eyes Only

Reed Irvine

Andrew Nagorski until recently represented Newsweek magazine in Moscow. He was expelled by the Soviet regime on trumped up charges, and he is now stationed in the more congenial city of Rome.

The September 27 edition of Newsweek published in Europe carries a two-page article by Mr. Nagorski about the Soviet Union which ought to be read by every American. Unfortunately, almost the only Americans who will ever see it are those overseas, since Nagorski's article was not carried in the domestic edition of Newsweek.

Nagorski told Newsweek's foreign readers that the Soviet Union is a failed state "mired in a dark tunnel of repression, stagnation and fear" even after dislodged Leonid Brezhnev passes from the scene. He recalls telling a Russian friend of his doubts about the likelihood of any improvement after Brezhnev dies. His friend was even more pessimistic. He said, "That is a Western way of looking at it. The Russian way is to hope that it won't get worse."

Nagorski strongly disagrees with those western pundits who have been building up Yuri Andropov as a "moderate" or

"liberal" probable successor to Brezhnev. He writes: "It is no accident that Yuri Andropov... presided over the KGB for the last 15 years when it methodically decimated the dissident movement. Andropov has now formally moved up to the

increased emigration of Jews, ethnic Germans and Armenians that the Soviets permitted in the 1970s has been reduced to a trickle, Nagorski says. He says this is because the emigration created unexpected problems for the security apparatus. The emigrants were often able to maintain contact with relatives and friends they left behind. Information and ideas from the West that clashed with what the Soviet authorities were saying filtered through the Iron Curtain. That caused problems.

One of Nagorski's Russian friends noted that the bright side of his experience was that he could now tell the truth about the USSR from firsthand experience. That truth is hardly needed now that so many Americans are again being told that the Soviets are just like us. One wonders why Newsweek kept this important article out of its domestic edition.

Accuracy In Media

independent behavior said: "Somewhere in the future, when my case has acquired a certain critical mass as yours did, this will appear as one point in the long list of charges against me."

Nagorski points out that repression is an essential tool of the Soviet state. He says that it is now being used with increasing frequency. This is not a return to the mass bloodletting and imprisonment of the Stalin years, but he says, the residual terror from that period makes it possible to keep people in line with more selective repression.

Nagorski strongly disagrees with those western pundits who have been building up Yuri Andropov as a "moderate" or

powerful party secretariat. But he has left the crushing of any remaining dissent to the new KGB chief, Vitaly Fedoschuk, who if anything is even tougher."

Fedorchuk, Nagorski notes, was formerly head of the security forces in the Ukraine. A Russian who visited the Ukrainian capital of Kiev said that people there were even afraid to grumble in the long lines waiting for food, a common practice that the Mavrovoites could expect a change now that Fedorchuk had moved up the power ladder. They said, "Just you wait. Now that our man has moved to Moscow, pretty soon all of Russia will be the same way."

The Flat Tax and Housing

Richard R. Muth

In recent weeks there has been considerable discussion about substituting a flat-rate tax for our current personal income tax, and several bills which would do so have been introduced into the Congress. The flat-rate tax, under most proposals, would retain or even increase the personal exemption in the current federal income tax. It would abolish most of all deductions, however. The new system would tax additional income at ever-increasing rates would be replaced by a constant rate of tax throughout the income range.

Though new to many, the flat-rate tax is really a rather old idea. Nobel prize winning economist Milton Friedman suggested it in his book *Capitalism and Freedom* twenty years ago. Moreover, until inflation lifted Americans into progressively higher tax brackets in the seventies, the federal income tax was in effect a flat-rate tax throughout all but the very highest income levels. This was because as the taxpayer's before-tax income rose so did his total deductions, offsetting the higher tax rate applicable to his additional income. Among the most important of these deductions are those for mortgage interest and property taxes paid. Not only do these reduce the degree of progression in the personal income tax, but they reduce substantially the cost of living in an owned home.

Under the personal income tax in this country, the taxpayer need not report the imputed rental value of his home as income. He can, however, deduct mortgage

Dr. Muth is a professor of economics at Stanford University and an authority on the housing industry.



"I KNOW THE FLAT TAX SOUNDS GOOD, BUT I ASSURE YOU AND ALL MY CONSTITUENTS THE FLAT AND THE FLAT-TAXED ARE NOT THE SAME THING. NO."

interest and property taxes paid from his taxable income. Together, interest and additional tax for each additional dollar of income, he pays only 85 cents per dollar of his housing costs after tax. Since the level of taxes is fixed ultimately by the level of government expenditures, lower taxes for homeowners mean higher taxes for renters.

The personal tax treatment of income from owner-occupied housing is often justified by the social benefits of homeownership. The tax advantage, however, is a very inefficient way of inducing more households to become homeowners. Most studies suggest that the sizeable tax advantages of owning one's home have led only about 4 per cent of the nation's households to become homeowners, increasing the ex-

that, because of the tax advantage, the capital invested in the typical owner-occupied house is almost 15 percent greater than it would otherwise be. The tax advantage for owner housing thus runs counter to the current Administration's concern for increasing investment in the industrial sector of the economy.

If a poll were taken, the vast majority of economists would almost certainly support eliminating the current tax treatment of income from owner-occupied housing. To attempt to do so, however, would encounter strong opposition. If the tax advantage were removed, the prices of houses would fall, in effect imposing a tax on the wealth of existing homeowners. Clearly, there is little likelihood of adopting a flat-rate tax system which is detrimental to the interests of two thirds of the electorate. Nor would there be any economic advantage to changing the tax rules for existing housing. For there is no way in which the extra resources invested in existing houses could be recovered and put to other uses.

Changing the rules could, however, reduce the amount of future investment in owner houses, and increase the amount of new investment in the rest of the economy. To do so, however, would still be difficult in the absence of a radical revision of the personal income tax. The flat-rate tax offers such an opportunity. Moreover, it could provide the substantial advantages of simplicity for the taxpayer, equity among taxpayers and efficiency for the economy as a whole. Broadening the tax base to include the imputed rental value of owner housing built after its enactment would be an important step toward securing the potential advantages the flat-rate tax scheme has to offer this country.

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How Poor Suffer Under Rent Control

Allan C. Brownfeld

The President's Commission on Housing recently called for an end to rent control laws and said that no rental housing financed with Federal aid in the form of insured loans or guaranteed mortgage should be subject to such laws.

Unfortunately, the commission backed away from the position taken in its interim report, which was released last January. In the earlier report, the commission recommended that Congress cut off Federal housing funds to cities that persisted in enforcing rent control laws. That proposal, if adopted, would have directly affected cities such as New York, which has 283,000 apartments under rent control and 556,000 under rent stabilization. In fact, more than half of New York City's two million rental units are subject to rent control. New York, of course, is hardly alone. Washington, D.C. and a host of other cities are involved in precisely the same manipulation of the housing market through the legislative process—with dire results, particularly for the poor.

Rent control in Washington, D.C., for example, has dramatically reduced the market for rental housing. In 1970, 87 percent of the area's new multi-family housing was rental and 12 percent was condominium; by 1974, the figures were reversed, 86 percent is condominium and 13 percent is rental. The reason is clear. Landlords, citing a back-breaking interest rate, and a belief that residential properties are no longer attractive investments because city governments keep rents artificially low, are converting their units to condominiums. Those who suffer, of course, are the poor—who cannot afford the condominium price.

Predictions have it that within 20 years half of the nation's population will live in condominiums—a prediction which implies a shift in housing patterns so vast as to require wholesale conversions throughout the country. David Chisman, a leading condominium authority, states: "I think the time will come when most of the soundly built, well-situated buildings in the U.S. will be converted."

In New York City, which has long had

rent controls, the plight of the poor in seeking housing is probably the worst in the nation. The rental vacancy rate is below 1 percent and private building is at a near paralysis. *The Wall Street Journal* noted that, "Increasing numbers of landlords simply give up, abandoning buildings they can neither afford to maintain nor sell at any price. Tenants, left with no heat, water or electricity, vacate such buildings as the day before. New York City, which has the day before, New York's archaic rent control law keeps the marginally poor whose fortune is improving from moving out of slum neighborhoods."

In his important book, *A Human Economy*, Wilfred Rophe points to rent control as an example of an "economic policy" which tends to be "irrational," that is, determined by what is "politically feasible" rather than by what is economically rational and just.

He calls rent controls "irrational, ill-considered and at the same time unusual and inequitable." Rophe declares that, "Rent control is really nothing but the protection of one privileged special kind of tenants, those with old leases, at the expense of the landlords and later tenants alike. Yet it persists, and the explanation is no doubt that, on the one hand, it does need a little reflection and intelligence to see its

full implications and that, on the other hand, politicians are afraid to denounce this object of cheap demagoguery."

The entire philosophy of coercive government controls on rent may satisfy the special predilections of some politicians and economists, but surely adds to the burden of the poor—those they were meant to help.

"Rent ceilings," declares economist Milton Friedman, "cause haphazard and arbitrary allocation of space, inefficient use of space, retardation of new construction. The legal ceilings on rents are the reason there are so few places for rent. Because of the excess of demand over supply, rental property is now rationed (in New York) by various forms of chance or favoritism. As long as the shortage created by rent ceilings remains, there will be a clamor for continued rent controls. This is perhaps the strongest indictment of ceilings on rent. They and the accompanying shortage of dwellings to rent, perpetuate themselves, and the program is even less attractive than the parents'."

Those who are really concerned about proper housing for the poor should seek to stimulate private investment in rental housing, not retard it. Rent controls do the poor—and all of us—significant harm. It is one more example of the manner in which government intervention in the economy hurts the very people in whose name such intervention was initially undertaken. Only if the politicians learn this will there

be hope for an improvement in the housing market.

In New York, the Rent Guidelines Board has allowed, for 1982, a 4 percent rent increase for a one-year lease. Builder Samuel J. Lefrak states that, "In this inflationary period, this is sheer madness. An estimated 4,000 leases totaling \$2 billion in low-interest mortgages are coming due between now and 1984. This means that apartment owners will have to accelerate... You cannot obtain financing to build a rental apartment house in New York City, the greatest apartment house town in the world... Why should they make loans on an asset that can be confiscated by the city government through rent control and rent stabilization?"

The best solution for a housing shortage is an end here and now of the entire rent-control... nonsense. Let the bureaucrats earn an honest living for a change."

Why did President Reagan's Housing Commission back away from its original firm opposition to rent-control? Obviously, politics is the answer—as it usually is when public policy decisions which are clearly not in the public interest are entered into. President Reagan should read the Commission's original interim report—and adopt its recommendations. The sooner rent controls come to an end, the sooner the urban rental housing market will improve.

A Martian Land Rush

Arnold Irvine

A questionable real estate operation is being promoted in Boulder, Colo., that the Federal Trade Commission well might look into.

Nearly everyone has heard of the scams in which worthless desert land is subdivided and sold to unsuspecting investors. Only too late, the buyers find there's no water for development and they can't even get to the property because there are no roads. For all the good it does

the buyer, the land might as well be on Mars.

Apparently this gave an idea to the people at the Fiske Planetarium at the University of Colorado, a worthy institution that needs money. "Why not sell land on Mars?" they wondered. Next thing anyone knew, they were doing it.

Since March, they have sold 520,000 worth of Martian real estate at \$20 per thousand-acre lot. Nobody can complain that the price is not right—only \$20 per thousand-acre lot is 2 cents an acre, which is dirt-cheap.

This is all very fine, but what's nagging Mars? The biggest concern of all is that Aquilar, Fiske's director, has sent five to Prince William of Britain, a certificate of title to Olympus Mons, a Martian volcano the size of Texas.

That's all the rebold the British need to start another empire on which the sun will never set. Just ask any Spaniard or Argentine. Once William inherits the throne, he jolly well might have an army of automata on Mars mining diamonds, gold and krypton while the Russians and American robots are busy negotiating over how many missiles each can station on the planet.

Repaid from Denver Post



CIA Belatedly Confirms Soviet Role in Terrorism

It's finally official. The CIA has at last come out and charged the Soviet Union with backing terrorism.

Routinely ignored by the media, the charge came in a highly applauded speech by the Director of Central Intelligence before the American Legion. Director William J. Casey stated, "The Soviet Union has provided funding and support for terrorist operations via Eastern Europe and its client nations like Libya and Cuba."

The Director of Central Intelligence added, "Terrorist training camps, for example, are the largest industry in Libya, next to oil."

Casey also addressed guerrilla-terrorist insurgency movements. He said the 11 nations now facing such violence—which is supported by "Cuba, Libya, the Soviet Union or South Yemen"—all happened to be close to natural resources or sea lanes on which the U.S. or its allies depend for fuel and supplies.

"Time and again," Casey observed, "we've watched agents of the Soviet Union, the Communist apparatus, move in to exploit underlying social and economic discontent, which are plentiful around the world. This became the basis for their expansion with training and massive weapons. With this help, local insurgents which makes them bolder, stronger and more difficult to deal with."

The nation's top intelligence officer and former Reagan campaign director said "international terrorism has taken on a life of its own. When enough terrorists are armed and trained, they have to kidnap and rob to get the money to carry out what has become a big business. And they need to assassinate and plant bombs to keep up the morale of their followers and to make propaganda for their causes."

"Another threat," he continued, "is the ability of the Soviet Union, largely through its intelligence arm, the

KGB, to insidiously insert its policy views into the political dialogue in the United States and other foreign countries. The KGB is adept at doing this in a way that hides the Soviet hand as the instigator."

"We see Soviet authored and inspired articles routinely placed in the press around the world, forged documents distributed, manipulations of indigenous foreign Communist parties, international and local Communist-front organizations, and clandestine radio operations, all employed aggressively to erode trust in the United States as the leader of the free world."

In order to combat terrorism, Casey said, the CIA has established a Center of the Study of Intelligence and Instability to provide advance warning of potentials for destabilization in the world, this to protect against the kind of surprise we experienced with the fall of the Shah in Iran. The small and weak countries in which an insurgency could be developed to overthrow governments do not need and cannot handle expensive and sophisticated weapons which they all seek. What they need is light arms to defend themselves against externally trained and supported guerrillas, good intelligence, good police methods, good communications, training in small arms and their use in small unit actions, and the mobility to keep up with the hit-and-run tactics used by insurgents and guerrillas around the world. We can introduce an element of stability into the Third World by helping small countries develop those skills and capabilities, and we can do this for a fraction of our foreign budget. After all, governments facing civil war cannot achieve the economic and social objectives of our foreign aid until they're able to control and combat internal disruption. Social progress does not come in the middle of civil war."

Casey also spoke to the problem of "technology pick-

ockets" who are buying up a wealth of secret technology, which ends up in being used for Soviet military applications. The upshot is "budget busting" expenditures for the U.S. military which must then increase our level of military sophistication.

Casey said the Freedom of Information Act has contributed significantly to a hemorrhaging of technological secrets. "They have acquired technology... worth many billions," he said.

A retired Director of Central Intelligence, William E. Colby, also charged the Soviets with backing terrorism.

"The Soviets continue to support training camps in guerrilla activities, firearms, sabotage and demolitions in Libya, Cuba, Czechoslovakia, and even the Soviet Union itself," Colby wrote in answers to questions submitted to him by Sen. Strom Thurmond, R-S.C.

Colby also provided the Soviet history of backing violence. "A decision was made in 1948 to support violent revolution in various parts of Asia and this was followed by a series of uprisings supported by Soviet power. They were later euphemistically called 'wars of national liberation' but they were a direct reflection of earlier Soviet philosophy of assisting revolution against established states to assist the growth of the Communist movement throughout the world. The Soviets cannot be absolved of responsibility for terrorism by changing its name to 'wars of national liberation.'"

Colby then said that the CIA tends to define "terrorism" out of existence and operates in a sort of ivory world far from the specter and reality of terrorism. He praised Chalmers Sterling's book *The Terror Network*. He added both this book and statements of Soviet-bloc defectors apply document Soviet support and involvement with terrorism.

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Washington Inquirer

Hart vs. Denton

Marx Lewis

There is an unwritten but generally observed rule in the U.S. Senate which prohibits personal attacks on fellow Senators. It is seldom violated, and when it happens it is met with disgust by the other Senators. A recent victim of such an attack was Senator Jeremiah Denton, of Alabama.



The attacker was Senator Gary Hart, of Colorado. It failed to meet with the kind of criticism from the other Senators which ordinarily follows a rule's violation.

What Senator Denton did to arouse Senator Hart's attack was expose a group calling itself Peace Links Women Against Nuclear War, formed by Betty Bumpers, wife of Senator Dale Bumpers.

Denton had not criticized either Senator Bumpers or his wife personally. In fact, he paid tribute to them. "I have no criticism to register against the sincerity and wellbeing of Sen. and Mrs. Bumpers," Denton said, and then said that he would offer facts on the merits of the question.

As to the facts, Denton proceeded to show that the "Peace Links" group was one of numerous other organizations, 14 in number, which are actively at work promoting the "peace offensive" sponsored by the Soviet Union. He did not question the motives, or the integrity, or the patriotism, of the members of these organizations, but their judgment. He might have used the communist term for such members— "Useful idiots"—but he didn't. It was the facts he cited which aroused the ire of Senator Hart. These facts have been well documented.

Nowhere have the Soviets worked longer or more feverishly to disarm, mentally and militarily, the free world, with the U.S. as their chief target, than in the field of peace. They know that the yearning for peace among the peoples of the world, including the Russians, is deep. It is an area in which the opportunities for deception and exploitation of people are great.



The Soviets know that if they themselves were to publicly sponsor peace offensives their intentions would be suspect, at least. So they created these various "front" organizations to do it for them. They have enlisted peace-loving people, women, the youth, those most vulnerable to peace pleas, to support them and to appear independent of them. In some cases, the leadership is assumed by well-meaning liberals whose names can be found in the letterheads of many other "front" groups bearing innocuous titles to entice innocents to serve their purposes in other subversive ventures.

The idea that the yearning of peoples for peace could become a formidable communist weapon in pursuit of Communist Global Objectives was recognized shortly after the Communist seizure of power in Russia. Dmitry Manuilsky, one of Lenin's close associates, said: "The bourgeoisie will have to be put to sleep. So we shall begin by launching the most spectacular peace movement on record. There will be electrifying overtures and unheard-of concessions. The capitalist countries, stupid and decadent, will rejoice to cooperate in their own destruction. They will leap at another chance to be friends. As soon as their guard is down, we shall smash them with our clenched fist." He admitted that might take decades. "Today," he added, "we are not strong enough to attack, (but) our time will come...."

Opponents of a strong U.S. military establishment are

confirming Manuilsky's predictions. They say there is no documentary evidence that the Soviets are financing the "front" organizations. That is true. The Soviets have not opened their books to Western accounts to prove or disprove these charges.

But no documentary evidence or financial disclosures are really necessary to make out an overwhelming case to prove that the Soviets are the architects of the peace offensive the "front" organizations are conducting.

It is said that if something looks like a fish, swims like a fish, smells like a fish, it must be a fish. If all the nuclear "freeze now" organizations operate only in free territory and none are permitted to operate in Communist-rule countries, it might be a source of suspicion to all who are not blinded by communist propaganda. The Soviets attempted to counter such suspicion last summer, when 300 persons from Denmark, Norway and Sweden were allowed to reach Moscow to demonstrate for peace. They were immediately taken in hand by two groups calling themselves the Soviet Committee for Peace and the Committee of Soviet Women.

What happened is described by a *Chicago Tribune* correspondent who was there. He wrote: "Soviet officials, who insisted on approving the number of demonstrators, their itinerary, and their slogans, are portraying the protesters as proof that the masses in both East and West are united in their opposition to the arms race, which the Soviet government blames exclusively on the West, particularly the U.S. A small, independent, genuine peace group, numbering 14 in all, was harassed by the police."

Senators like Denton are not fooled by these deceptions. Others, like Hart, are. The ugliest aspect of the struggle between freedom and communism is that those who are really fighting for peace and freedom are labeled by Reagan's critics as warmongers, while those who are waging war, as the Soviets are, are made to appear as advocates of peace.

The Denton Hart incident illustrates the point. Denton not only knows but has personally experienced the horrors of war. A former admiral, he spent seven years in a North Vietnamese prisoner-of-war camp. He paid a heavy price for serving his country. He does not want another war, or others to endure what he did. He favors peace. As chairman of the Senate Subcommittee on Security and Terrorism he has exposed Cuban and Puerto Rican terrorist activities and Soviet links to international terrorism. This, perhaps more than anything he said about Mrs. Bumper's peace activities, prompted the Hart attack on Denton.

Hart, on the other hand, reflected the fury of the non-combatants. While Denton was languishing in a prisoner-of-war camp in Vietnam, Hart was Senator George McGovern's campaign director in McGovern's 1972 presidential campaign. As campaign director he mobilized the anti-Vietnam war forces which brought about our defeat and publicly rejoiced in it.

If there are any who ought to be ashamed, it is not Denton, but those of his colleagues who believe that they are serving the cause of peace by their faith that in the struggle between freedom and tyranny the timid will inherit the earth.

